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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 01/18/08

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Major Japanese firms, such as Bridgestone, Asahi Glass, to obtain emissions credits through their overseas factories

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(1) NHK employees: Outrageous if they had made money via scoop

(2) LDP, DPJ both excessively inward-looking

Yomiuri:

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(2) Mitsubishi's top leader found guilty of negligence of duty

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(1) Both ruling and opposition parties should take action to deal with staggering economy

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(1) Iwakuni mayoral election: Important battle in terms of realignment of U.S. forces in Japan

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, January 17

NIKKEI (Page 2) (Full)  
January 18, 2008

07:46

Attended a cabinet meeting at the Kantei.

09:26

Met LDP Secretary General Ibuki and others at the Grand Prince Hotel Shin-takanawa. Afterward attended an LDP international politics, foreign policy essay contest award ceremony.

10:05

Attended the LDP convention, followed by a reception.

14:35

Met at the Kantei Vice METI Minister Kitahata. Afterward had informal discussions with news company editorial writers and Cabinet Press Club member company heads.

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17:05

Met LDP lawmakers representing Kyushu, including Election Committee Chairman Koga, at the Toranomom Pastoral.

17:40

Returned to his official residence.

17:50

Met at the Kantei incoming and outgoing vice foreign ministers Yabunaka and Yachi.

18:01

Attended a Council on Economic and Fiscal Policy meeting.

19:36

Returned to his official residence.

4) Japan to settle gas field talks with China before Hu's visit to Japan

NIKKEI (Page 2) (Full)  
January 18, 2008

In a press interview after he became administrative vice foreign minister yesterday, Mitoji Yabunaka revealed his plan to settle the pending issue with China of developing gas fields in the East China Sea before President Hu Jintao's Japan visit scheduled for this spring. Regarding the deadlocked talks between Japan and North Korea over diplomatic normalization, Yabunaka revealed a policy line of seeking progress in its talks with North Korea while linking up with the United States in its talks with North Korea over that country's nuclear programs.

On the gas field issue, Yabunaka said, "We'd like to settle this issue if we can, without waiting for President Hu to visit Japan." He continued: "We've been negotiating quite hard, and our mutual understanding has been deepening. We're now talking with each other in a sincere manner." He indicated that Japan and China are about to bridge the rift.

On North Korea normalization talks, Yabunaka pointed out, "Of course, our talks with North Korea are linked (with progress in the U.S.-North Korea talks on the nuclear issue). He indicated that Japan would step up its cooperation with the United States and other six-party talks members in order to settle pending issues between Japan and North Korea, including North Korea's abduction of Japanese nationals.

Earlier in the day, Yabunaka, in meeting the press, stressed the need for Japan to talk with North Korea in order to resolve the abduction issue and other pending issues. At the same time, he suggested the need for Japan to show a resolute attitude. He also took the position that the international community should pressure

North Korea for dialogue.

5) South Korean president-elect expresses readiness to pursue future-oriented relations with Japan

MAINICHI (Page 3) (Full)  
January 18, 2008

Akiko Horiyama, Seoul

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South Korean President-elect Lee Myung Bak yesterday expressed his readiness to develop future-oriented relations with Japan. Referring to both countries' historical views, Lee said at a press conference for foreign correspondents: "To build a mature relationship between South Korea and Japan, I do not want to demand that Japan apologize and reflect." He also expressed his desire to swiftly resume reciprocal visits between the top leaders of the two countries, which were suspended due to a row in 2005 over their historical views.

Lee apparently is aiming to reveal his willingness to improve relations with Japan, switching from the Japan policy taken by current President Roh Moo-hyun, who defined the issue of historical views as a diplomatic war.

Lee, however, also said in the press conference: "It is true that Japan's apology was just for pro-forma sake, and there was no emotional impact on the South Korean people." He added: "Even if we do not demand (that Japan apologize), I believe Japan will take a mature diplomatic approach."

6) Prime minister uses the words "the people" 36 times in speech at LDP convention; What are the specific measures?

TOKYO SHIMBUN (Page 2) (Abridged slightly)  
January 18, 2008

The Liberal Democratic Party (LDP) held its annual convention yesterday, at which Prime Minister Yasuo Fukuda (also LDP president) played up "the people's viewpoint" with the aim of winning the next House of Representatives election, defining the environment surrounding the party since its crushing defeat in the previous House of Councilors election as the most critical situation since the party's foundation. But lacking specific policies, his speech also drew grumbles from some attendees.

In his 11-minute speech at the party convention, the prime minister used the words "the people" 36 times, including, "We will build people-oriented politics," "The LDP stands on the side of the people," and "We will reflect the viewpoint and voice of the people in politics." He also said: "With politics and the administration standing on the side of the people, we will make this year a turning point so that consumers and working people can play a central role."

In last year's party convention, then Prime Minister Shinzo Abe used the words "the people" only seven times, focusing on constitutional revision, educational reform, and foreign policy with the aim of making Japan a "beautiful country." Fukuda's speech emphasizing "the people" reflected the prime minister's strong determination to erase public mistrust in the LDP by returning to the viewpoint of working people and consumers.

In addition, female representatives of the 47 prefectural chapters reported on their challenges and resolutions for this year, while playing up their determination to give consideration to the areas that were overwhelmed by the major opposition Democratic Party of Japan (DPJ or Minshuto) in the previous Upper House election.

General Council Chairman Toshihiro Nikai praised the convention, saying, "Making everyone aware of the severe environment, it was a

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good convention in order to make a fresh start." Reform Headquarters chief Tsutomu Takebe also lauded it, commenting, "It was very good in that we can now understand the prime minister's people-oriented thinking." Questions remain however, whether it can revitalize the party.

One attendee: "The prime minister's speech was too vague, so I couldn't understand it."

In the convention, the party also adopted the 2008 action program featuring people-oriented policies, such as redressing socioeconomic disparities, measures for small businesses, and the promotion of agriculture, forestry, and fisheries. But the prime minister failed to discuss specifics. At the same time, stopping short of mentioning the battle with the DPJ over the provisional tax rate on gasoline and strategies for the next Lower House election, the prime minister failed to drive his point home to some extent.

After the convention, Niigata chapter General Council Chairman Mihashi said to reporters: "The prime minister got a strong sense of crisis across to us, but what to do with the exhausted local regions is not clear. Because concrete measures were not discussed, I cannot explain to local residents and party members what Mr. Fukuda said." About the maintenance of the provisional tax rates, he also expressed concern, saying, "A solid explanation is necessary in order to persuade people so that they can think the construction of roads can wait if gasoline prices go down."

An attendee from Nagano said: "The prime minister's speech was too vague, so I couldn't understand it." An assemblyman from Gifu also said disapprovingly: "The prime minister was remorseful. I wanted him to discuss what to do in the future and exhibit strong leadership."

7) LDP warns that if key bills are not passed, people's lives could be seriously affected

YOMIURI (Page 2) (Excerpts)  
January 18, 2008

In its annual convention yesterday, the Liberal Democratic Party distributed copies of material intended for the public to read. The material stressed that if bills that must be passed by the end of March do not clear the Diet by the deadline, the people's lives and the nation's economy could be seriously affected. The bills include one amending the special tax measures law, which proposes maintaining the current provisional high gasoline tax rate. This move is aimed to counter the Democratic Party of Japan's (DPJ) call that an abolishment of the provisional tax rate will bring down gasoline prices by about 25 yen per liter. The government and the ruling camp are now gearing up a public relations strategy to win opinion over to their side.

The material notes that if the provisional rate loses effect: (1) the central and local governments will see their tax revenues drop by approximately 2.6 trillion yen, making it difficult for them to maintain and construct roads, to remove snow, as well as to take safety measures for school-commuting roads; and (2) the total amount of decreased local governments' revenues, including the portion of special grants for road maintenance and improvement, will reach approximately 1.6 trillion yen, and financially troubled local governments will fall into bankruptcy. The material further says

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that should the bill amending the special tax measures law is not passed into law, other tax incentives will also lose effect, resulting in increasing the people's tax burden, for instance, on real property registration.

In reference to a bill amending the tariff law, the material notes that if the bill expires, the prices of daily necessities like clothes and food will shoot up. Regarding a bill that sets the amount of government bond issuance for fiscal 2008, it emphasizes that (if the bill is scrapped,) the government will have to hike taxes and cut expenditures, which is impossible to implement,

further confusing the financial markets.

8) Hatoyama: Ozawa is slow to apologize

TOKYO SHIMBUN (Page 2) (Full)  
January 18, 2008

Democratic Party of Japan Secretary General Yukio Hatoyama gave a speech at a Rengo (Japanese Trade Union Confederation) Political Center meeting yesterday. In it, he reiterated an apology for President Ichiro Ozawa's exit from the House of Representatives plenary session (on Jan. 11) before taking a vote on the government-sponsored new antiterrorism special measures legislation, saying, "Because Mr. Ozawa is slow to apologize for it, I would like to offer an apology as the secretary general."

On Jan. 15, Hatoyama had mentioned the need for Ozawa to apologize, but Ozawa in a press conference yesterday stood by what he did.

Hatoyama said: "Although a leader needs adamancy, he also needs the flexibility to correct the course when the wrong step was taken."

9) Ordinary Diet session to open today; Tensions to rise over debate on gasoline tax

SANKEI (Page 5) (Full)  
January 18, 2008

The 169th regular session of the Diet, which is to be convened today, will run 150 days until June 15. The ruling and opposition camps will now start heated debate, focusing on the annual revenue-related bills (fixed-deadline bills), which incorporate measures to extend the provisional tax rates such as the tax imposed on gasoline, which will expire at the end of March. Although the government and ruling parties aim to enact them within this fiscal year (end of March), the main opposition Democratic Party of Japan (DPJ or Minshuto) and some other opposition parties are determined to oppose such an extension. As it stands, a situation can be expected to develop in which the DPJ and other parties will not budge in their stances, intent of forcing a dissolution of the Diet and a snap election.

The opening ceremony with the presence of the Emperor will be held at the plenary hall of the House of Councillors starting at 1:00 p.m. After that, Prime Minister Yasuo Fukuda will deliver a policy speech at a plenary meeting of the Lower House, followed by speeches by the justice, foreign, and international economy and trade ministers.

The government and ruling coalition will start deliberations on Jan. 24 on the supplementary budget bill for fiscal 2007 which includes

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allocations for disaster relief, aid to Afghanistan, and measures to deal with the costs created by a one-year-suspension of an increase in medical co-payments for the elderly. The government aims to pass the supplementary budget before the end of January. After that, the government and ruling camp intend to start debate on the fiscal 2008 budget bill and revenue-related bills earlier than usual.

10) Japan offers to ban some cluster bombs

MAINICHI (Page 1) (Full)  
January 18, 2008

GENEVA-The Japanese government announced its decision on Jan. 17 to prohibit cluster bombs, with some exceptions. Duds from cluster bombs can harm civilians. The government clarified the decision in an expert meeting of the Convention on Certain Weapons (CCW) in Geneva. The government has withheld its commitment over cluster bombs. However, some countries are now working together in the "Oslo process" to create a multilateral convention against cluster bombs. Japan was apparently urged to change course.

The government clarified its decision to prohibit "unreliable cluster bombs," and Japan will prohibit developing and producing new

cluster bombs. In addition, the government will offer to limit the use of such cluster bombs during a certain period of time and will prohibit using such bombs after that period of time. Japan also suggested the need for CCW signatories to reach an accord on a treaty. Japan will tolerate newly developed bombs whose dud rate is low.

11) CEFP to propose new growth strategy; Structural reform report to be submitted this summer

MAINICHI (Page 2) (Full)  
January 18, 2008

The government's Council on Economic and Fiscal Policy (CEFP chaired by Prime Minister Yasuo Fukuda) held a meeting yesterday. Private sector members, such as Fujio Mitarai, chairman of the Japan Business Federation (Nippon Keidanren), proposed establishing a new study panel consisting of experts to discuss structural reforms for the continuous growth of the Japanese economy. The proposal was adopted. The envisaged panel will this summer compile a report that will serve as guidelines for a growth strategy to be taken by the Fukuda cabinet. It will aim at coming up with a 21st century equivalent of the Maehara Report, released in 1986.

The expert panel will first probe into the rapid growth of newly emerging economies, the soaring prices of crude oil and other natural resources, and changes in the environment surrounding the global economy, including in the global flow of funds. It will then propose making the structure of the Japanese economy more flexible and risk-resistant through such means as building an open economic system. The aim is to enable the Japanese economy to continue to grow on its own. The panel will compile a report by the Lake Toya Summit (G-8 summit) to be held in Hokkaido in July. The Fukuda cabinet will thus demonstrate to the public its stance of attaching importance to growth.

The CEFP also adopted a "Course and Strategy of the Japanese Economy," mid-term guidelines for economic and fiscal management for fiscal 2008 through fiscal 2011. Regarding the primary balance of

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the central and local governments, the panel adopted the Cabinet Office's projection that it will be impossible to move the primary balance into the black by fiscal 2011.

According to the projection, even in the event that nominal GDP growth for fiscal 2011 reaches 3.3 PERCENT and the government carries out spending cuts to the maximum extent (14.3 trillion yen), the goal it has set to attain by fiscal 2011, a 0.1 PERCENT deficit in ratio to the GDP or 70 billion yen, would remain. The government has made a commitment to moving the primary balance into the black by fiscal 2011. In order for it to deliver on the pledge, it would need to further cut spending and increase taxes.

12) DPJ's Okada opposes promotion of Muto to BOJ governor; Party leaders to meet today

MAINICHI (Page 2) (Full)  
January 18, 2008

Katsuya Okada, vice president of the Democratic Party of Japan (DPJ), yesterday held a press conference at the Japan National Press Club. Commenting on Bank of Japan (BOJ) Vice Governor Toshiro Muto, who is considered the most promising candidate to succeed incumbent Governor Toshihiko Fukui, whose tenure expires on March 19, Okada indicated his view that he is not appropriate for the position because he once served as administrative vice finance minister. He noted, "It is disagreeable that a person who served in the top position responsible for the administrative side of the Finance Ministry to assume the supreme post responsible for monetary matters. It goes against the principle of separation of financial affairs from monetary affairs."

DPJ executives, including Secretary General Yukio Hatoyama, will today discuss for the first time what approach the party will take on this issue.

Appointing a BOJ governor requires Diet approval. If the DPJ, which controls the Upper House, opposes the appointment of Muto, his selection for the post would fall apart. The DPJ opposed Muto when he took office as vice governor.

Hatoyama during a press conference held in August last year noted, "There has been nothing that would cause the DPJ to change its stance from the time it opposed Mr. Muto assuming the vice presidency." However, he had been vague about his stance, saying, at a press conference on Jan. 11, "We do not intend to say that it is absolutely unacceptable for him to assume the post, just because he is a former bureaucrat."

13) Japan hands two anti-whaling activists obstructing research whaling over to Australia

SANKEI (Page 3) (Full)  
January 18, 2008

The Fisheries Agency (FA) late yesterday announced that the Japanese side handed two anti-whaling activists of the U.S.-based environmental protection group Sea Shepherd, who had been seized after they had leapt aboard Japan's research whaling ship No. 2 Yushinmaru in the Antarctic waters, over to an Australian Customs patrol boat around 10:30 p.m. that day, Japan time. Japan will now resume research whaling, which was suspended by this incident, after

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confirming the safety of research whaling.

One of the two activists is British, and the other Australian. They climbed aboard No. 2 Yushinmaru to hand over a letter of protest against whaling to the Japanese side. The Japanese side detained the two because they took dangerous actions by winding rope around the screw and sprinkling some kind of chemicals on the deck.

14) Source for controversy still remains between Japan, Australia because Australian Labor Party-led government committed to anti-whaling

SANKEI (Page 3) (Full)  
January 18, 2008

Kinya Fujimoto, Singapore

The Labor Party-led Rudd administration of Australia acted as an intermediary for the release of two activists of the U.S.-based environmental protection organization who had been seized by the Japanese crew because they had boarded a Japanese research whaling ship in the Antarctic Ocean. Australia's Labor Party is essentially a strong opponent to whaling, and its position is close to that environmental protection group. In Australia, opposition to whaling is deep-seated among the public. Prime Minister Rudd, who took office under the banner of attaching importance to environmental policy, apparently has found himself in a fix. Relations between Japan and Australia will inevitably be strained over the whaling issue.

The Japanese side handed the two activists over to Australian Customs patrol boat, which was patrolling the seas nearby to monitor Japan's research whaling. The patrolling was aimed at collecting evidence, such as photos and videos.

This kind of patrolling was inconceivable under the former Howard administration. In Australia, whale watching is popular, and many Australians are opposed to whaling, but former Prime Minister Howard, who emphasized the importance of good relations with Japan, contained the voices of anti-whaling groups and strived not to create a source for controversy between the two countries.

However, in the general election in last November, the Labor Party won a landslide victory, emphasizing the importance of environmental protection. "Watch Japan's research whaling" is among the Labor Party's campaign pledges. So it was forecast that the whaling issue sooner or later would have a harmful effect on Japan-Australia



relations.

Given the news reports that Prime Minister Rudd's popularity already is beginning to decline owing to inflation and high interest rates, his administration may be forced to compensate by assuming a tough position against Japan's research whaling.

15) Fukuda to announce policy of setting numerical targets for greenhouse gas emissions cuts in Davos Conference

YOMIURI (Page 1) (Excerpts)  
January 18, 2008

Prime Minister Fukuda decided yesterday to announce at the World Economy Forum (Davos Conference) in Switzerland later this month

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that Japan will set its industry-specific and sector-specific targets for reducing greenhouse gas emissions. Specific targeted figures will be worked out in future discussions. The decision stems from a desire to demonstrate Japan's willingness to take the initiative in discussion on a new international framework to fight global warming beyond the 2012 timeframe set under the Kyoto Protocol. There is also the aim of achieving reduction goals classified by industry, such as steel and electricity, effectively and without pushing too hard.

The prime minister will also emphasize the importance of introducing a mid-term target for the entire world to attain over the next 10 to 20 years.

A mid-term target will be a key element in forming a post-Kyoto protocol. The prime minister intends to reiterate in his speech in the Davos Conference his determination to display leadership to form a mid-term target."

At the 13th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP13) last December, participants discussed a plan for industrialized countries to reduce gas emissions by 25 PERCENT to 40 PERCENT from 1990 levels by 2020 as a mid-term target, but no agreement was reached.

Deputy Foreign Minister Masaharu Kono, who will serve as a Sherpa for the prime minister at the Lake Toya Summit to be held in Hokkaido in July, revealed in an interview with Yomiuri Shimbun yesterday that he will look into setting a mid-term target, with an eye on the Summit. Vice Foreign Minister Yabunaka also clarified in an interview with newspaper companies the same day his view that Japan should come up with its own numerical targets for reducing greenhouse gas emissions, prior to the Lake Toya Summit.

DONOVAN